

**Stanislaus County Civil Grand Jury  
Oak Valley Hospital District  
Case #11-09C**

**SUMMARY**

The Stanislaus County Civil Grand Jury received a citizen complaint, dated June 23, 2010, alleging the “Board of Directors” of the Oak Valley Hospital District (OVHD) committed violations of the Ralph M. Brown Act, misappropriated public funds, and had issues regarding Conflicts of Interest.

During the course of the investigation, the Stanislaus County Civil Grand Jury determined the term “Board of Directors” was a broad reference to a specific group of individuals. These individuals are listed in the investigation as Oak Valley Hospital District Board Members, the Oak Valley Hospital Chief Executive Officer (CEO) and the Oak Valley Hospital Chief Financial Officer (CFO).

The Stanislaus County Civil Grand Jury also determined additional investigations were warranted in the areas of the OVHD construction and design bid processes, construction costs and accounting, and CEO non-business related expenditures.

The investigation began September 14, 2010 and was completed December 21, 2010.

The Stanislaus County Civil Grand Jury found the following:

Violations of the Ralph M. Brown Act in the following areas:

- Public meeting agendas.
- How public meetings are conducted.
- Release of confidential information.
- Serial meetings.
- Release of public information.

OVHD did not adhere to established bid proposal guidelines by prematurely awarding a contract for redesign work to a company that was not qualified to bid on the project.

There was limited involvement from legal counsel which appears to be a contributing factor in the aforementioned Brown Act Violations.

There appears to have been inadequate notice, made to the public, regarding the change from the “Original” Oak Valley Hospital Replacement Construction Project to the “Revised” Oak Valley Hospital Construction Project.

OVHD Board meeting and OVHD Governing Body meeting agendas and meeting minutes, implemented by the newly elected district board, dated January 2011, appear to be in compliance with the Ralph M. Brown Act.

No evidence was found to support the allegation of financial misappropriation or misconduct.

No evidence was found to support the allegation of conflict of interest issues.

No evidence was found to support the allegation of contract bid manipulation concerning the OVHD Replacement Hospital Construction Project.

No discrepancies were found in the area of OVHD financial reports.

CEO personal expenditures were in compliance with hospital policy.

No evidence of unauthorized wage or bonus distribution, on the part of the CEO, was found.

Recommendations were made in the following areas:

- Corrective measures to the Ralph M. Brown Act violations.
- Increased legal counsel involvement.
- Improvements to the distribution of public information.

## **GLOSSARY**

Government Code 54950-54963 “Ralph M. Brown Act,” in summary:

A California State law that regulates governing boards of local agencies, cities, counties, school districts and special districts. The purpose of the Ralph M. Brown Act is to guarantee the right of the public to participate in and attend meetings held by legislative bodies. The Brown Act requires “any discussion of business” be conducted in a public meeting format attended by a majority of the legislative body members.

General Requirements:

- Meetings must be open.
- Meeting agendas must sufficiently describe the business to be conducted at the meeting.
- Meetings must be properly noticed and posted in a public place.

- The public must have a meaningful opportunity to comment on matters on the agenda.
- Limited exceptions for legislative body to meet in “closed session.”

OVHD: Oak Valley Hospital District. The OVHD serves approximately 75,000 people in the Oakdale, Waterford, Riverbank, Knights Ferry, Valley Home and surrounding area.

Oak Valley Hospital District Board: Comprised of (5) elected members, serving four-year terms, responsible for the major issues involving the Oak Valley Hospital District. The (5) Elected Board Members also serve on the 10 person OVHD Governing Body.

OVHD Governing Body: Panel of 10 members responsible for the daily operation of the Oak Valley Hospital District. The Governing Body was formed pursuant to a management contract requirement during the affiliation of Oak Valley Hospital and Catholic Healthcare West. The Governing Body consists of the (5) Elected District Board Members, 1- Catholic Healthcare West Representative, 2- Hospital Physicians, and 2- individuals appointed by the Catholic Healthcare West Representative as Community Representatives.

CHW: Catholic Healthcare West- A hospital management firm contracted by Oak Valley Hospital

CEO: Chief Executive Officer.

CFO: Chief Financial Officer.

OSHPD: California Office of Statewide Health Planning and Development.

CHW Employee Travel and Business Entertainment Expense Reimbursement Policy: The established criteria pertaining to Oak Valley Hospital Employees while traveling for business related purposes.

## **BACKGROUND**

On May 26, 2010, the complainant attended the District Board and Governing Body meetings of the Oak Valley Hospital District and noted inconsistencies in the meeting format, agenda format and lack of information provided to the public.

The complainant requested meeting agendas, meeting minutes, and other “public information” related documents. According to the complainant, all requests for information were denied. The complainant then began discussing concerns with citizens, meeting attendees, hospital staff and hospital administrators. These individuals voiced additional concerns in the areas of:

- OVHD financial reports. There was an alleged inconsistency in account balances indicating misappropriation and/or misuse of public funds.

- There were allegations of manipulating OVHD construction/design bid processes regarding the hospital construction project, redesign work and medical equipment installation.
- There were alleged conflicts of interest. Members of OVHD were accused of making board related decisions solely for financial and/or personal gain.
- CEO wage/bonus package and CEO spending practices. The CEO was alleged to have distributed bonuses to himself and other administrators without District Board authorization. The CEO was also alleged to have made personal expenditures with hospital funds.

The complainant filed a formal complaint with the Stanislaus County Civil Grand Jury on June 23, 2010.

The Stanislaus County Civil Grand Jury initiated an investigation on September 14, 2010 subsequently completing the investigation on December 21, 2010.

**METHOD OF INVESTIGATION:**

The Stanislaus County Civil Grand Jury conducted its investigation using the following methods:

**Interviewed the following individuals:**

- Complainant.
- Employees and administrators of the Oak Valley Hospital.
- Members of the Oak Valley Hospital volunteer staff.
- Past and present members of the OVHD Elected Board and OVHD Governing Body.
- Past and present members of the OVHD Foundation.
- A disqualified contract bidder.

**Reviewed the following documents:**

- OVHD Elected Board and OVHD Governing Body meeting agendas and meeting minutes from January 2008, through December 2010.
- Oak Valley Hospital Replacement Project Construction Plan.
- Oak Valley Hospital Revised Replacement Construction Project Plan.

- Oak Valley Hospital Construction Project Bid Proposals.
- Newspaper articles concerning OVHD and Bond Measures “H,” “O” and “Q”.
- CHW Employee Travel and Business Entertainment Expense Reimbursement Policy.
- Financial reports concerning the current Oak Valley Hospital Construction Project .
- CEO contract.
- Discovery via interview.
- Oak Valley Hospital Monthly Operation Accounting to include:
  - (a) Accounts payable.
  - (b) Accounts receivable.
  - (c) Expenditures not requiring OVHD Board approval (Expenditures not exceeding \$25,000.00).

## **FINDINGS**

F1. The Stanislaus County Civil Grand Jury finds the Oak Valley Hospital District violated the Ralph M. Brown Act in the following areas:

- **Public meeting agendas:**

The meeting agendas were lacking information; the format did not provide a clear understanding of the items to be discussed at the meeting. In addition, the agendas did not consistently appear to be provided a minimum of 72 hours in advance of the public meeting as required.

- **How public meetings were conducted:**

Decisions were made and/or action was taken on items not listed on agendas. In addition, agenda items were acted on without soliciting and/or allowing for public comment or questions as required.

- **Release of confidential information:**

A District Board member disclosed, to a non board member physician, confidential information discussed during a closed-door meeting.

- **Serial Meetings:**

District Board members discussed board related information, via e-mail messages, without an agenda or in a public setting.

- **Release of public information:**

Public Information Act requests were not met and meeting agendas were not made available as required by law.

- F2. OVHD prematurely awarded contract design work, pursuant to a Medi-Cal grant, prior to soliciting bids from qualified contract bidders. Based on OSHPD requirements, the scope of the original design project changed from “design only” work to “construction/remodeling” work, which the design company was not qualified to perform. The design project was then put out to bid and the original design firm was subsequently employed, as a sub contractor, to the construction firm awarded the construction contract.
- F3. The Stanislaus County Civil Grand Jury finds no evidence of legal counsel physically attending OVHD public meetings. It also appears there was no legal counsel involvement with the preparation of meeting agendas or immediate assistance with legal issues. Although not a requirement, this lack of legal counsel presence appears to be a contributing factor in the referenced Brown Act violations.
- F4. Based on the review of OVHD Board meeting and OVHD Governing Body agendas and meeting minutes, dated January 2011, the agendas implemented by the newly elected board, appear to be in compliance with the Ralph M. Brown Act.
- F5. There appears to have been inadequate notice made to the public concerning the change from the “original” Replacement Hospital Construction Project to the Revised Hospital Construction Project. The revision plan was instituted as a result of defeated bond measures “O” and “Q.”
- F6. No evidence was found to support the allegation of financial misappropriation or misconduct.
- F7. No evidence was found to support the allegation of conflict of interest issues.
- F8. No evidence was found to support the allegation of contract bid manipulation concerning the OVHD Replacement Hospital Construction Project.
- F9. No discrepancies were found in the area of OVHD financial reports.
- F10. CEO personal expenditures were made on the CHW/Oak Valley Hospital credit card and were in compliance with the CHW Employee Travel Business Entertainment Expense Reimbursement Policy.
- F11. No evidence of arbitrary or unauthorized wage or bonus distribution on the part of the CEO was found. CEO bonuses are based on set criteria as defined in the CEO contract.

## **RECOMMENDATIONS**

- R1. The Stanislaus County Civil Grand Jury recommends OVHD comply with the Ralph M. Brown Act in the following areas:
  - Revise the format and language of meeting agendas and provide that information in a timely fashion.

- Restructure the format for public meetings to allow for better public comment or questions.
- Increase the level of legal counsel involvement ie: physically attending more public meetings or be available, via conference call, for the duration of the public meeting. This will improve communication between OVHD and legal counsel, provide interpretation with legal issues, and will allow for consistent compliance with the Ralph M. Brown Act.
- Board members refrain from discussing board related subjects, outside the public meeting arena, so as not to constitute a “serial” meeting as defined in the Ralph M. Brown Act.

R2. The Stanislaus County Civil Grand Jury recommends OVHD consistently adhere to their own established bid proposal guidelines so as to prevent the public perception of favoritism and/or conflicts of interest.

R3. The Stanislaus County Civil Grand Jury recommends OVHD improve the dissemination of public information. OVHD reportedly mailed out approximately 8,000 Public Information Letters regarding the “Revised” hospital construction plan. This amount of information does not appear adequate for a service area of 75,000 residents.

### **REQUEST FOR RESPONSES**

Pursuant to Penal Code section 933.05, the Stanislaus County Civil Grand Jury requests responses as follows:

From the following individuals:

- Oak Valley Hospital CEO

From the following governing bodies:

- Oak Valley Hospital District Board

**The governing bodies indicated above should be aware that the comment or response of the governing body must be conducted subject to the notice, agenda and open meeting requirements of the Brown Act.**

This report of case #11-09C is issued by the 2010-2011 Stanislaus County Civil Grand Jury with the following exception: Three members of the Grand jury volunteered to recuse themselves due to a perceived conflict of interest. These persons were excluded from all phases of the investigation, including interviews, deliberations, voting and in the writing and approval of this report. None of the information contained in this report was obtained from the excluded grand jurors as a means of mitigating a potential bias to the integrity of this report.

Reports issued by the Civil Grand Jury do not identify individuals interviewed. Penal Code Section 929 requires that reports of the Grand Jury not contain the name of any person, or facts leading to the identity of any person who provides information to the Civil Grand Jury. The California State Legislature has stated that it intends the provisions of Penal Code Section 929 prohibiting disclosure of witness identities to encourage full candor in testimony in Civil Grand Jury investigations by protecting the privacy and confidentiality of those who participate in any Civil Grand Jury investigation